

SSDI BENEFIT OFFSET AS A RETURN TO WORK STRATEGY

Social Security Advisory Board forum

SSDI: A Time for Reform

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Overview

- SSDI “Cash Cliff” from the beneficiary perspective
- The Four State Pilot Offset Projects and Results
- The Policy Implications of the Findings
- A Proposal for an Offset that would:
 - Support Return to Work
 - Increase Savings to the Trust Fund
 - Align and Simplify the Work Incentives for SSI and SSDI
 - Align the SSDI program with the Ticket to Work

SSDI Cash Cliff

Beneficiary Perspective

Joe's Job	Joe's Earnings	Joe's SSDI Benefit	Joe's Total Income
Joe takes a part time job earning \$13 per hour. He works 15 hours per week.	Joe's total monthly earnings are \$838 .	Because Joe is earning below \$1,040 per month he receives his whole SSDI check of \$900 .	Earnings of \$838 plus SSDI income of \$900 equals a total of \$1,738 per month.
Joe's boss wants him to work 20 hours per week at \$13 per hour.	Joe's total monthly earnings are \$1,118 .	Because Joe is earning above \$1,040 per month he loses his whole SSDI check, so his benefit is \$0 .	Earnings of \$1,118 plus SSDI income of zero equals a total of \$1,118 .

SSDI Cash Cliff

Beneficiary Perspective

- If Joe increases his hours from 15 to 20 per week, *his total monthly income is actually reduced by \$620*
- Joe would have to work 31 hours per week just to maintain the income he would have working only 15 hours per week
- If he continues to work above the \$1,040 Substantial Gainful Activity (SGA) he risks losing eligibility for the program
- Because Joe has a disability that is unpredictable (schizophrenia) he feels it is an unreasonable risk.

Policy Alternative: A Gradual Offset

- A SSDI \$1 for \$2 gradual reduction in benefits similar to the SSI program
- Long been promoted by advocates and states
- 1999 Ticket to Work Act, Work Incentives Improvement Act, mandated a demonstration to test an offset: Benefit Offset National Demonstration (BOND)

Four State Offset Pilots

- Four States Connecticut, Vermont, Wisconsin and Utah participated in the offset pilot 2005 to 2009
- Intended to inform national demonstration of SSDI Offset (BOND)
- Implemented with random assignment experimental design
- Offset Included:
 - \$1 for \$2 offset starting at SGA (\$830 in 2005) during a 72 month Extended Period of Eligibility
 - Kept Trial Work Period (if beneficiary still had Trial Work months)
 - Long term earners beyond the 72 month Extended Period of Eligibility were not eligible

Four State Offset Pilots

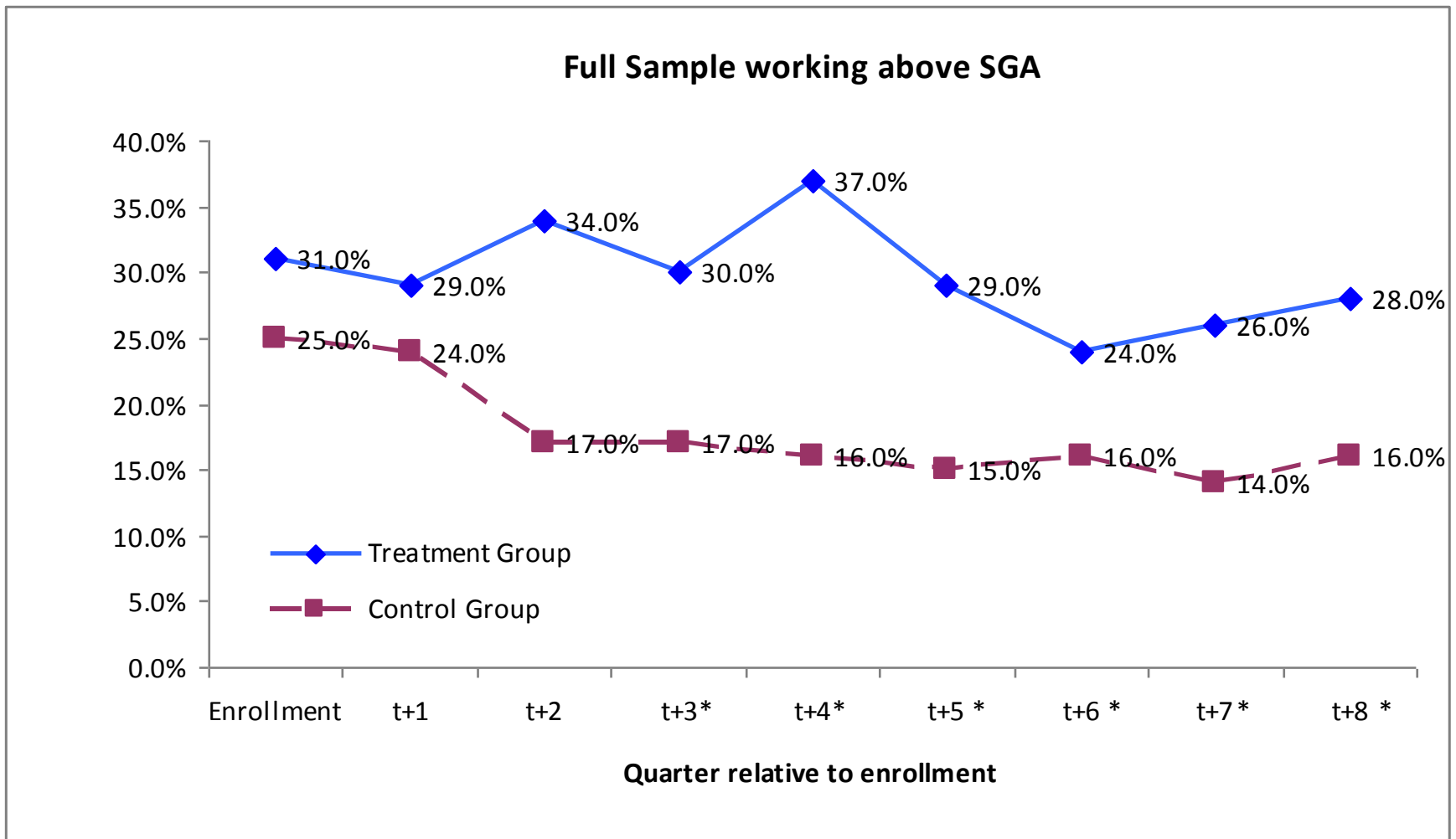
- States used local service infrastructure (VR, Community Providers, Medicaid Infrastructure Grant) to engage participants.
- State design and approach varied to some degree; e.g. CT focused early enrollment on beneficiaries earning 50% of SGA, while VT enrolled any eligible beneficiary.
- All four states provided benefits counseling to the treatment and control groups

State	CT	UT	VT	WI	Total
Treatment	126	253	284	266	929
Control	127	250	293	230	900

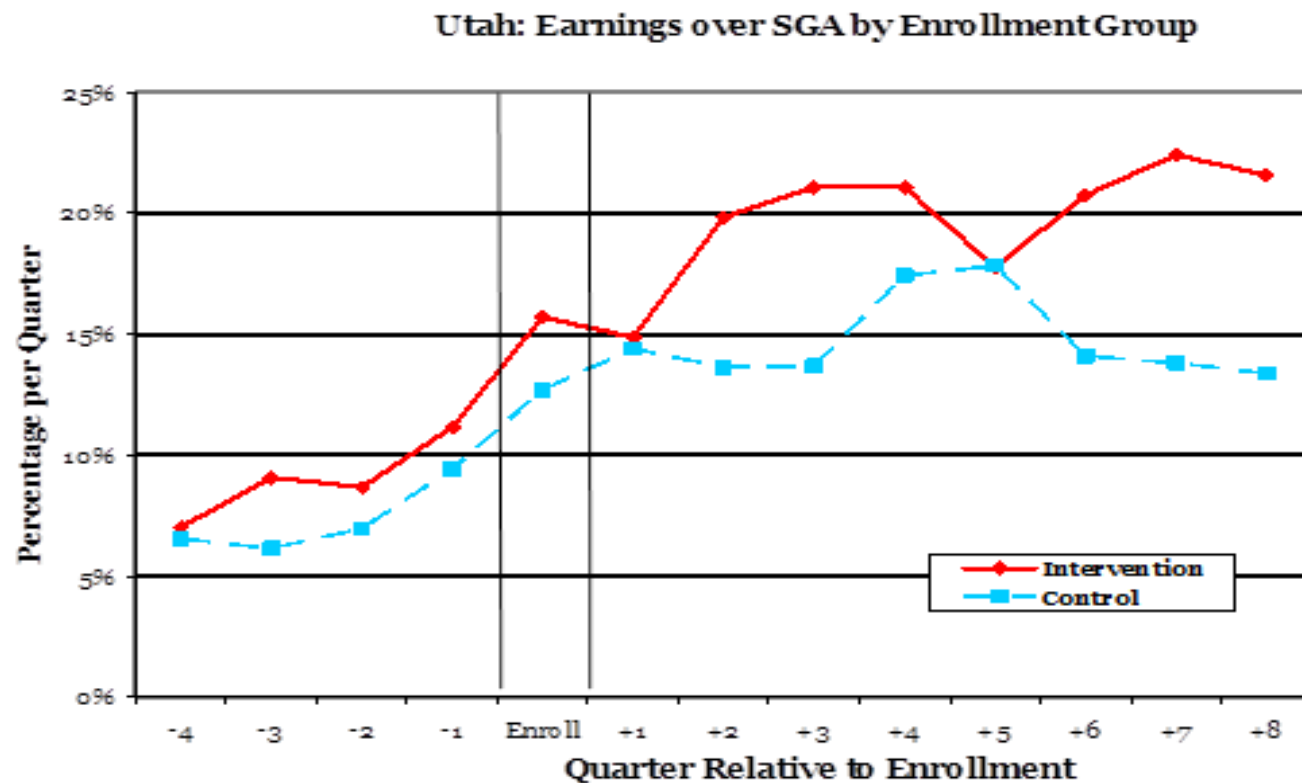
Four State Offset Pilots Limitations

- Implementation of Offset provisions proved very challenging
 - Work development for Trial Work Period often delayed
 - Very high proportion of overpayments, underpayments and inappropriate cessations
- Provided good information for SSA on process challenges for BOND
- However, problems with implementation may have unnerved beneficiaries and suppressed effect
- Despite challenges three out of four states demonstrated significant impact on earnings above the SGA threshold

Connecticut Earnings Data: Above SGA



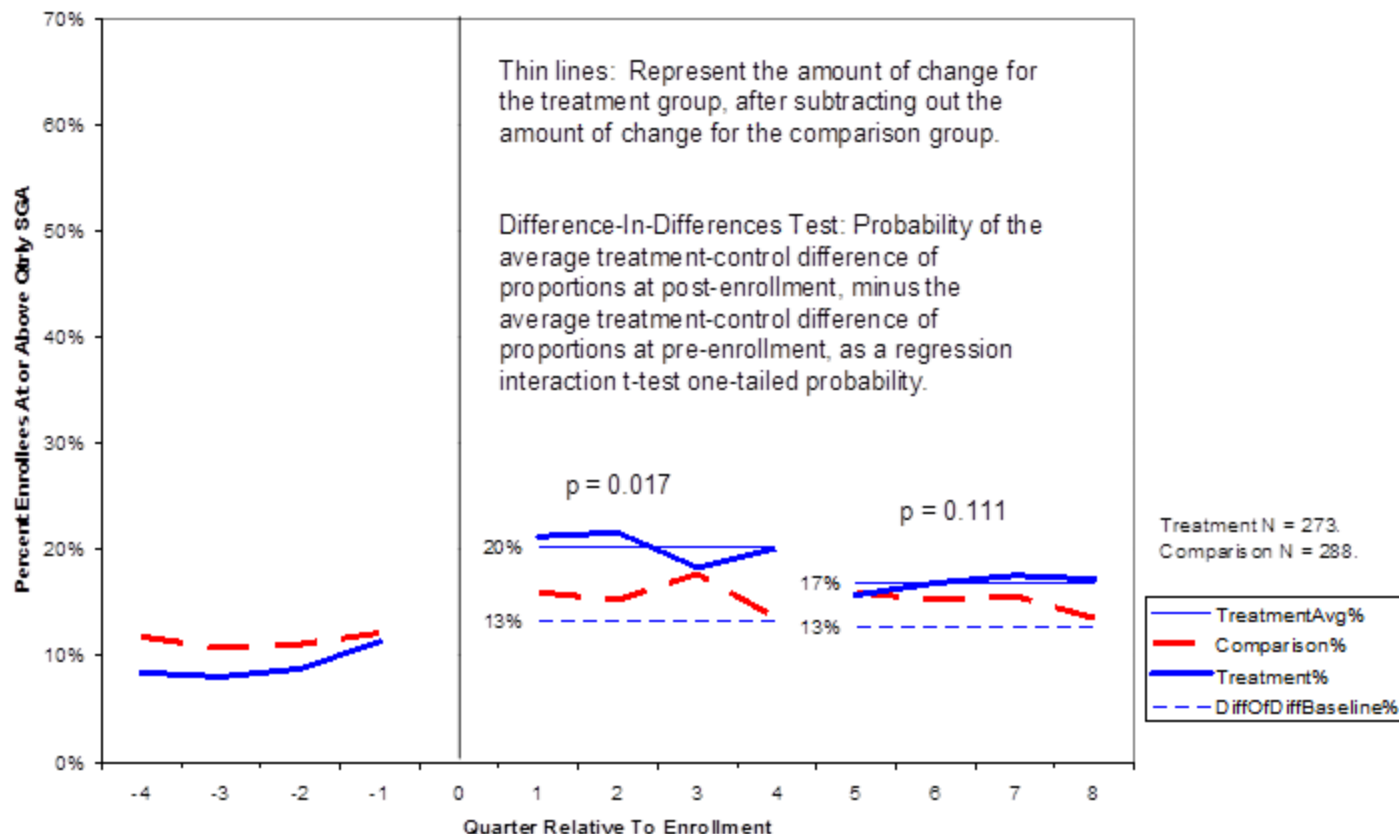
Utah Earnings Data: Above SGA



Vermont Earning Data: Above SGA

SGA Rate: Full Sample

(UI Data As Of 7/13/09)



Brief Summary of Findings

- Utah and Connecticut found positive impact on earnings above SGA over eight quarters post enrollment for Offset Group.
- Vermont found positive impact on earnings above SGA over four quarters post enrollment for Offset Group. Larger significant effect on early enrollees for three years post enrollment.
- Vermont and Connecticut showed increased impact for Medicaid Buy In participants
- Wisconsin found no significant impact on earnings at SGA but had positive trajectory for offset group.

Policy Implications

- Removing “cash cliff” had positive impact on beneficiary earnings above SGA despite the fact that:
 - This was a short term pilot
 - Pilot excluded long term earners (72 months beyond TWP)
 - The application of the offset rules was less than optimal
- Provides evidence that current SSDI work rules suppress work activity because of clear and obvious financial disincentive.
- Work rules that suppress work activity is bad policy

Principals of Proposed Policy Alternative

- Support Return to Work: *Adjust the incentives to always make work pay*
- Increase Savings to the Trust Fund: *Start work related benefit reductions sooner and for earnings at less than SGA*
- Align and Simplify the Work Incentives for SSI and SSDI: *Have one set of work rules for both programs*
- Align the SSDI program with the Ticket to Work: *The Ticket will never reach it's potential with the SSDI cash cliff*

Proposed Policy Changes

- Eliminate the Trial Work Period (TWP):
 - It is an administrative burden for SSA and the cause of a high proportion of overpayments
 - SSA pays 100% of SSDI benefits regardless of the beneficiaries level of earnings during TWP even if they exceed SGA.
 - It is confusing to beneficiaries especially those receiving both SSI and SSDI
 - Already proposed by SSA as part of Work Incentive Simplification Project (WISP)

Proposed Policy Changes (Cont)

- Establish a Benefit Offset at less than SGA (25%-50% of SGA?) as a standard Earned Income Exclusion
 - Work activity at less than SGA will generate savings
 - With no TWP, offset savings start as soon as beneficiary earnings exceed Earned Income Exclusion
 - Beneficiary is always better off if they increase earnings
- Eliminate Extended Period of Eligibility (EPE) and Cessation of SSDI benefits as a result of work.
 - Very few beneficiaries completely exit the rolls because of work anyway (.5% per year)
 - Already proposed by SSA as part of Work Incentive Simplification Project (WISP)

Proposed Policy Changes

- Align the SSI and SSDI Offset by using the same standard Earned Income Exclusion as the SSDI program.
 - Will simplify return to work rules for beneficiaries especially dual SSI/SSDI beneficiaries because the work rules will be the same.
 - Reduce the need for benefits planning
 - Will send clear message to beneficiaries, families and supporting local agencies (VR, mental health etc.) that work always pays.

Align SSDI Work Rules with Ticket to Work (TTW) Program

- Without an SSDI Benefit Offset
- Employment Networks participating in TTW have a potential conflict of interest with their SSDI consumers because of the cash cliff.
 - Achieving TTW Outcome payments for EN may harm beneficiaries financially.
- SSA may be paying ENs TTW payments for SSDI beneficiaries with no associated savings
 - An EN can receive Phase I and Phase II payments without any reduction in a beneficiary's SSDI benefit
 - Because SSI has an offset Phase I and Phase II payments are always associated with a reduction in a beneficiary's SSI benefit

Align SSDI Work Rules with Ticket to Work (TTW) Program and VR Cost Reimbursement Program

- With an SSDI Offset
- There would be no conflict of interest
- The TTW program payments could be structured based totally on beneficiary earnings and subsequent benefit savings. For example.
 - Earnings that generate \$300-\$500 per month in Offset savings with generate \$200 TTW payment
 - Earnings that generate \$501-\$700 per month in Offset savings with generate \$350 TTW payment (and so on)

Summary

- Under current SSDI work rules, SSA has the worst of all worlds:
 - The SSDI work rules suppress work activity
 - Most beneficiary work activity does not result in savings in benefits paid
- Under the proposed SSDI Offset
 - SSDI work rules would always make work pay
 - Savings in SSDI benefits would start sooner and at a lower earning threshold
 - Align and simplify SSI and SSDI program work rules
 - Align Ticket to Work Program with SSDI work rules and eliminate conflict of interest

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